

Sun Publishing Company Limited 1974 Annual Report



COVER

PROSPECT POINT IN STANLEY PARK
overlooking First Narrows with the
beautiful North Shore Mountains as the
backdrop.

B.C. GOVT. PHOTO



Sun Publishing Company Limited and Subsidiary Companies

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OFFICERS AND DIRECTORS OF THE COMPANY

OFFICERS

Clayton B. Delbridge	Chairman of the Board
Richard S. Malone	President
J. Stuart Keate	Vice-President
William W. Winnett	Secretary-Treasurer
Harry J. Astley	Assistant Secretary

DIRECTORS

Ronald L. Cliff
Lawrence Dampier
Clayton B. Delbridge
Bruce Hutchison
Stuart Keate
John MacD. Lecky
Richard S. Malone
Derek A. Price
Bruce L. Rudd
John W. Toogood
F. Cameron Wilkinson

EXECUTIVES OF THE VANCOUVER SUN

Stuart Keate	Publisher
Bruce Hutchison	Editorial Director
Bruce Larsen	Managing Editor
Clifford MacKay	Editorial Page Editor
John W. Toogood	Marketing and Advertising Director
William W. Winnett	Assistant to the Publisher
Donald M. Grieve	Circulation Manager
J. A. McLellan	Promotion Manager

BANKERS

The Bank of Nova Scotia

AUDITORS

Clarkson, Gordon & Co.

SOLICITORS

Farris, Vaughan, Wills & Murphy

TRANSFER AND EXECUTIVE OFFICES

2250 Granville Street
Vancouver, B.C. V6H 3G2



REPORT OF THE DIRECTORS TO THE SHAREHOLDERS

We are pleased to present the Consolidated Financial Statements of the Company and its subsidiaries, together with the Auditors' Report, for the year ended December 31, 1974. The net income of the Company for the year amounted to \$3,739,000, representing an increase of \$81,000 over the 1973 net income, or a gain of 2.2%.

The income of the Company is derived from two sources, firstly, its 50% shareholding in Pacific Press Limited, which is the proprietor of The Vancouver Sun and The Province newspapers and, secondly, the Investment Portfolio of the Company.

Pacific Press Limited:

Pacific Press enjoyed a substantial increase in revenues from its newspapers due to greater advertising lineage and rates and, to a lesser extent circulation rate increases. However, these gains were offset to a large degree by increased operating expenses, notably two contractual wage rate increases during the year and substantially higher newsprint and distribution costs. The second of these wage increases represented a further cost to the Company in excess of 20%, including fringe benefits, for the key classifications from the new one-year union agreements negotiated last fall. The net result of these factors was a relatively modest 3.8% increase in net profits.

In 1975, Pacific Press faces further newsprint price increases and the present one year union agreements terminate on October 31, 1975.

The Vancouver Sun:

The Company publishes The Vancouver Sun newspaper for Pacific

Press Limited, which company employs substantially all the personnel involved in the publication, pays all expenses and receives all revenues in respect to The Vancouver Sun.

Advertising lineage totalled 48,914,026 lines, representing an increase of 9.5% over 1973. During the first half of the year the average net paid circulation continued to climb. However, the July 1 increase in the subscription price of the newspaper, together with the termination of the Victoria newspaper strike, resulted in an approximate 7% drop from the maximum levels achieved during the first half.

Last month, The Vancouver Sun changed to its new format designed to make the newspaper more attractive and easier to read, as well as conserve on newsprint. The response by our readers to this move has been strongly positive.

Investment Portfolio:

The earnings of the Company from its Investment Portfolio also increased. The book value of the Portfolio at December 31, 1974 was \$21,334,076 (of which \$2,608,964 is designated as long-term), representing an increase of approximately \$1,728,203 over the value at December 31, 1973.

At December 31, 1974, the market value of the Portfolio was \$19,104,308 (of which \$2,107,960 is designated as long-term). The stock markets have generally improved since the end of the year and as of February 14, 1975, the market value of the Portfolio was \$20,587,369.

Substantially higher interest rates in the money markets were a major factor in the greater income generated by the Portfolio in 1974.

Dividends:

Dividends of \$2.23 on the "A" shares and \$2.13 on the "B" shares were declared by the directors in 1974, representing an increased payment of 71c per share over 1973.

Personnel:

There were several changes in senior positions in the editorial department of The Vancouver Sun in 1974 which resulted from the untimely deaths of two highly respected and dedicated members of our staff: William T. Galt our Managing Editor and Business Editor Terry Hammond. Bruce Larsen, formerly Assistant Managing Editor, has succeeded Galt as Managing Editor.

The Directors would like to take this opportunity to express their warm appreciation to Gordon Crossley, former Retail Advertising Manager of The Vancouver Sun, who retired during the past year after 46 years of service, and James Dyer, one of our senior editorial writers, who retired after more than 50 years service in the newspaper industry, most of which was with The Vancouver Sun.

The Directors also take this opportunity of expressing their appreciation to the members of the staff by whose efforts The Vancouver Sun has continued its growth, thereby substantially contributing to the success of the Company during 1974.

On behalf of the Board,
C. B. Delbridge,
Chairman.

RESULTS AT A GLANCE

	Year ended December 31	
	1974	1973
Income before Gain (Loss) on sale of securities	\$ 4,087,898	\$ 3,677,829
Provision for Income Taxes	288,652	219,500
Net Operating Income	3,799,246	3,458,329
Gain (Loss) on sale of securities (net) (Before income taxes on capital gains, see Note 2 - financial statements)	(60,150)	199,544
Net Income	\$ 3,739,096	\$ 3,657,873
Income per share:		
"A" shares—on net operating income	\$ 5.12	\$ 4.66
—on gain (loss) on sale of securities (before income taxes on capital gains)	(.08)	.27
	\$ 5.04	\$ 4.93
"B" shares—on net operating income	\$ 5.02	\$ 4.56
—on gain (loss) on sale of securities (before income taxes on capital gains)	(.08)	.27
	\$ 4.94	\$ 4.83
Number of shareholders at year-end	696	742
Shareholders total investment (book value)	\$29,243,065	\$27,138,969
Shares of common stock outstanding	750,000	750,000
Book value per share of common stock	38.99	36.19
The Vancouver Sun:		
Advertising lineage	48,914,026	44,632,432
Circulation for period - October - December	246,204	250,040
Newsprint consumed — Tons	46,573	45,317
— Value	\$ 9,720,696	\$ 7,349,306
Valuation Day Value:		
December 22, 1971		
"A" Shares	\$34.75	
"B" Shares	\$33.00	



CONSOLIDATED BALANCE SHEET

ASSETS

CURRENT ASSETS:

	December 31	
	1974	1973
Cash	\$ 13,486	\$ 59,757
Marketable securities, at cost (market value— February 14, 1975 — \$18,364,674; December 31, 1974 — \$16,996,348; December 31, 1973 — \$18,397,149)	18,725,112	17,216,025
Accrued investment income receivable	282,756	190,856
Prepaid expenses	937	1,378
Total current assets	<u>19,022,291</u>	<u>17,468,016</u>

LONG-TERM INVESTMENTS AND OTHER ASSETS:

In Canada—

Pacific Press Limited (Note 1):

Demand debenture	2,250,000	2,500,000
800,000 common shares	5,046,905	4,339,165

Marketable securities, at cost (market value

\$2,107,960; 1973 — \$2,762,358)	2,608,964	2,389,848
	<u>9,905,869</u>	<u>9,229,013</u>

In the United States (expressed in Canadian equivalent) (Note 1)—

California properties, at cost	796,381	932,836
Note receivable, with interest at 7%	100,000	
	<u>896,381</u>	<u>932,836</u>

<u>\$29,824,541</u>	<u>\$27,629,865</u>
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(See accompanying notes)

On behalf of the Board:

R. S. MALONE, Director

STUART KEATE, Director

Sun Publishing Company Limited and Subsidiary Companies

LIABILITIES AND SHAREHOLDERS' EQUITY

	December 31	
	1974	1973
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 73,810	\$ 15,879
Dividends payable	433,125	384,375
Income taxes payable	74,541	90,642
Total current liabilities	<u>581,476</u>	<u>490,896</u>
SHAREHOLDERS' EQUITY:		
Capital stock—		
Authorized:		
2,500,000 redeemable preference shares of \$1 each		
500,000 cumulative participating Class "A" common shares without nominal or par value, entitled to minimum preferential cash dividends of 50 cents per annum		
500,000 Class "B" common shares without nominal or par value		
Issued and outstanding:		
375,000 Class "A" shares	375,000	375,000
375,000 Class "B" shares	375,000	375,000
	<u>750,000</u>	<u>750,000</u>
RETAINED EARNINGS (Statement 2)	<u>28,493,065</u>	<u>26,388,969</u>
	<u>29,243,065</u>	<u>27,138,969</u>
	<u><u>\$29,824,541</u></u>	<u><u>\$27,629,865</u></u>

(See accompanying notes)



CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

	Year ended December 31	
	1974	1973
Revenue:		
Income from Pacific Press Limited—		
Equity in net earnings for 1974 of which \$2,248,000 (1973—\$1,296,000) was received by way of dividends (Note 1)	\$ 2,955,740	\$ 2,846,767
Dividend and interest income	1,272,398	915,751
Gain (loss) on sale of securities (Note 2)	(60,150)	199,544
	<u>4,167,988</u>	<u>3,962,062</u>
Expenses:		
Administrative expenses including directors' fees of \$24,000 (1973—\$24,000)	93,193	81,929
Loss on operations of California properties	47,047	2,760
	<u>140,240</u>	<u>84,689</u>
	4,027,748	3,877,373
Income taxes (Note 2)	288,652	219,500
	<u>3,739,096</u>	<u>3,657,873</u>
Net income (Note 3)	26,388,969	23,829,846
Retained earnings, beginning of year	<u>30,128,065</u>	<u>27,487,719</u>
Dividends:		
Class "A" shares—\$2.23 per share (1973—\$1.52)	836,250	568,125
Class "B" shares—\$2.13 per share (1973—\$1.42)	798,750	530,625
	<u>1,635,000</u>	<u>1,098,750</u>
Retained earnings, end of year	<u>\$28,493,065</u>	<u>\$26,388,969</u>

(See accompanying notes)

Sun Publishing Company Limited and Subsidiary Companies

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

	Year ended December 31	
	1974	1973
Source of funds:		
Operations—		
Net income for the year	\$ 3,739,096	\$ 3,657,873
Credits to income not resulting in a receipt of funds:		
Portion of net earnings in Pacific Press Limited which was not distributed by way of dividends (Note 1)	707,740	1,550,767
	<u>3,031,356</u>	<u>2,107,106</u>
Decrease (increase) in investment in California properties (net)	36,455	(10,620)
Redemption of Pacific Press Limited demand debentures	250,000	1,500,000
	<u>3,317,811</u>	<u>3,596,486</u>
Application of funds:		
Dividends	1,635,000	1,098,750
Increase in long-term investment in marketable securities	219,116	336,564
	<u>1,854,116</u>	<u>1,435,314</u>
Increase in working capital	1,463,695	2,161,172
Working capital, beginning of year	16,977,120	14,815,948
Working capital, end of year	<u>\$18,440,815</u>	<u>\$16,977,120</u>
Represented by:		
Current assets	\$19,022,291	\$17,468,016
Less current liabilities	581,476	490,896
Working capital, end of year	<u>\$18,440,815</u>	<u>\$16,977,120</u>

(See accompanying notes)



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 1974

1. Accounting policies:

The following is a summary of significant accounting policies used in the preparation of these financial statements. It is the company's policy to follow generally accepted accounting principles and to apply these principles on a consistent basis.

(a) Principles of consolidation:

The consolidated financial statements include the financial statements of the company and all of its subsidiaries which are as follows:

Canadian: Pacific Printers Ltd. (an inactive company).

United States: Hornby Corporation. During the year the Hornby Corporation acquired by way of statutory merger all of the assets of former wholly-owned United States subsidiaries of Sun Publishing Company Limited, namely, Bowyer Corporation, Denman Development Corporation, Gabriola Corporation, Gambier Corporation, Popham Corporation, Savary Corporation and Texada Corporation. The accounts of all of these companies were included in the consolidated financial statements for the preceding year.

For purposes of inclusion in the financial statements, amounts in foreign currencies have been restated in Canadian dollars. Current assets and current liabilities have been translated at the exchange rates prevailing on December 31, 1974, other assets and liabilities substantially at the rates at the date of the relevant transactions and amounts appearing in the statement of income at average rates.

(b) Marketable securities:

Marketable securities are valued at moving average cost.

(c) Investment in Pacific Press Limited:

Sun Publishing Company Limited holds 50% of the issued shares of Pacific Press Limited, a company which acquired the newspapers "The Vancouver Sun" and "The Province". The company publishes "The Vancouver Sun" for Pacific Press Limited.

The company's investment in Pacific Press Limited is recorded by the equity method, whereby the carrying value reflects the original cost of \$800,000 of its holding of common shares and its share in the undistributed earnings of Pacific Press Limited since acquisition. At December 31, 1974, the company's share in the undistributed earnings of Pacific Press Limited amounted to \$4,246,905.

2. Included in the net loss of \$60,150 realized on the sale of securities during the year are net capital losses for tax purposes of approximately \$100,000. One half of this amount is available for application against 1973 taxable capital gains resulting in a tax saving of approximately \$25,000 which is included as a reduction to the provision for income taxes of \$288,652.

3. Earnings per share:

Earnings per Class "A" share were \$5.04 in 1974 (\$4.93 in 1973) and earnings per Class "B" share were \$4.94 in 1974 (\$4.83 in 1973). Earnings per share for both classes of common shares are calculated in a manner which recognizes the differential in their rights to dividends.

4. Remuneration of directors and senior officers amounted to \$58,843 for the year ended December 31, 1974.

AUDITORS' REPORT

To the Shareholders of
Sun Publishing Company Limited:

We have examined the consolidated balance sheet of Sun Publishing Company Limited and subsidiary companies as at December 31, 1974 and the consolidated statements of income and retained earnings and changes in financial position for the year then ended. For Sun Publishing Company Limited, our examination of the financial statements of the company included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. For other companies consolidated or accounted for by the equity method we have relied on the reports of the auditors who have examined their financial statements.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1974 and the results of their operations and the changes in their financial positions for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

CLARKSON, GORDON & CO.

Chartered Accountants

Vancouver, Canada

February 14, 1975.

THE VANCOUVER SUN IN THE COMMUNITY

The "challenge of change" occupied much attention by Sun editors in 1974, working with Pacific Press production officers, as plans were formulated for a change-over to a nine-column newspaper. Research teams visited a number of North American newspapers to study the implications of conversion to "the electronic newsroom", marking one of the most significant steps forward in newspaper production in recent history.

Inflation at home and abroad continued to be a crucial story for Sun editors, reporters and bureau correspondents. Major coverage embraced the Canadian federal election; the aftermath of Watergate and appointment of President Ford; growing concern about unemployment and recession; the energy squeeze; violence in Northern Ireland and the Middle East; and the examination of social policies of the British Columbia government.

Investigative reporters undertook special studies of B.C.'s auto insurance program (ICBC), the growth of bureaucracies in Ottawa and Victoria, environmental problems, the housing shortage, and treatment of juvenile offenders.

Special columns were devoted to the management of household budgets and money matters (Grenby), and a local consumer affairs report (Hanson). In Leisure, a column on the fast-expanding stereo market, was introduced by a contract writer. The TV column in the same section was re-designed for easier reading and a broader selection of channels.

The Sun's business pages were expanded on a mid-week survey and efforts made to make stock movements more meaningful to readers. Additionally, profiles of key figures in the B.C. business community were written in in-depth interviews.

Sun editors, columnists and reporters ranged far afield in 1974 to bring the Canadian point of view to international events. Publisher Stuart Keate joined the Commonwealth Press Union party in a three-week swing around Malaysia. Columnist Jim Kearney was in New Zealand for the Commonwealth games, and in Sweden, Czechoslovakia and Russia for hockey. Allan Fotheringham visited Zambia and Rhodesia to report on political ferment in those areas. Business editor George Froehlich joined a Canadian Trade Mission to Brazil. Critic Max Wyman reported on music and dance in the United Kingdom. Special writers visited Inuvik and Yellowknife to produce on-the-spot reports of the developing energy crisis in the North.

The Sun's famous cartoonist, Len Norris, was doubly honored when he was granted an Honorary LL.D. Degree from the University of Windsor, and elected to the Royal Canadian Academy of Arts at a special ceremony in Toronto.

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The Sun continued its active participation in community affairs. Among the highlights:

- The annual Sun Free Salmon Derby attracted 3,598 boats and 11,513 anglers.
- The "Newspaper in Education" program was expanded, with bundles of newspapers sent to 132 regional schools for social studies programs.
- The annual Christmas show, "Sun Family Pops," in conjunction with the Vancouver Symphony, drew sell-out audiences of 26,000, with a program which the VSO describes as "unique in North America."
- Corporate donations totalling \$46,892 were made during the year to various civic charities, the major beneficiary being United Way, which described editorial support in 1974 as "outstanding."
- The Sun's Tournament of Champions for amateur soccer was featured in a National Film Board production, shown coast to coast. This program involves some 20,000 youngsters and reflects British Columbia interest in the national keep-fit campaign.
- With some reluctance, The Sun concluded its Free Swim Classes in 1974. Since 1932, more than 274,000 citizens have learned to swim in this program. However, the growth of municipal and private pools have made our work in this area redundant.



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1. Sun publisher Stuart Keate was elected to Canadian News Hall of Fame in April. Presenting scroll at Ontario government luncheon in Toronto was Ontario cabinet minister Margaret Birch.
2. President Walter Gage of U.B.C. oversees sod-turning by two retarded children who will benefit from Sun's annual "House of Hope" campaign to build new facilities on campus. Campaign in 1974 realized \$105,000; included in plans is a hydro-therapy pool to be named in honor of late managing editor Bill Galt.
3. Largest winner ever weighs in at over 47 pounds at the world famous Sun Free Salmon Derby.
4. Three of the many Sun carriers who won a trip to Disneyland during 1974.
5. Assistant to publisher Bill Winnett presents Sun Match Play golf trophy to winners Tom Moryson (left) and Gordon Fairbairn.
6. Former managing editor, the late Bill Galt, discusses communication with a group of Soviet experts from Odessa, Russia.
7. Recipes from Edith Adams Cottage are fully tested and tasted before being published in The Vancouver Sun.
8. Bob McGrath of Sesame Street entertains at one of the Sun's family "pops" Christmas concerts.



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